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THE

# Demand and Price

FOR RELEASE  
SEPT. 8, P. M.

## SITUATION

BUREAU OF AGRICULTURAL ECONOMICS  
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON D. C.



AUGUST 1950

Approved by the Outlook and Situation Board August 30, 1950

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### SUMMARY

The rapid advance in prices which occurred during July did not continue into August. After rising an average of one percent a week during July the BLS weekly index of wholesale prices rose only slightly in August. Wholesale prices of farm products and foods which rose more than other commodity groups following the outbreak of the Korean conflict, leveled off in August but wholesale prices of many industrial commodities continued to advance, particularly prices of textile products and building materials. Prices of the latter group rose above the previous high reached in the summer of 1948.

The BAE index of prices received by farmers rose slightly less than 2 percent between July 15 and August 15. In the latter month, the index was 8 percent above mid-June and 14 percent above mid-January. About two-thirds of the advance since the beginning of the year has been due to a sharp rise in prices received for meat animals. The seasonal increase in meat animal marketings this fall and fairly heavy crop marketings are likely to check further over-all advances in farm product prices.

## ECONOMIC TRENDS AFFECTING AGRICULTURE

| Item                                                | Unit or<br>base<br>period | 1949  |       | 1950   |       |       |       |
|-----------------------------------------------------|---------------------------|-------|-------|--------|-------|-------|-------|
|                                                     |                           | Year  | July  | April  | May   | June  | July  |
| Industrial production <u>1/</u>                     |                           |       |       |        |       |       |       |
| Total.....                                          | 1935-39=100               | 176   | 161   | 190    | 195   | 199   | 197   |
| All manufactures.....                               | do.                       | 183   | 168   | 199    | 204   | 208   | 206   |
| Durable goods.....                                  | do.                       | 201   | 185   | 222    | 231   | 237   | 235   |
| Nondurable goods.....                               | do.                       | 168   | 154   | 180    | 181   | 184   | 181   |
| Minerals.....                                       | do.                       | 134   | 123   | 140    | 145   | 151   | 146   |
| Construction activity <u>1/</u>                     |                           |       |       |        |       |       |       |
| Contracts, total.....                               | 1935-39=100               | 368   | 364   | 495    | 477   | 507   |       |
| Contracts, residential.....                         | do.                       | 471   | 490   | 730    | 743   | 797   |       |
| Wholesale prices <u>2/</u>                          |                           |       |       |        |       |       |       |
| All commodities.....                                | 1926=100                  | 155   | 154   | 153    | 156   | 157   | 163   |
| All commodities except farm<br>and food.....        | do.                       | 147   | 145   | 146    | 148   | 149   | 152   |
| Farm products.....                                  | do.                       | 166   | 166   | 159    | 165   | 166   | 176   |
| Food.....                                           | do.                       | 161   | 161   | 155    | 160   | 162   | 171   |
| Prices received and paid by<br>farmers <u>3/</u>    |                           |       |       |        |       |       |       |
| Prices received, all products...                    | 1910-14=100               | 249   | 246   | 241    | 247   | 247   | 263   |
| Prices paid, interest, taxes<br>and wage rates..... | do.                       | 250   | 250   | 251    | 254   | 255   | 256   |
| Parity ratio.....                                   | do.                       | 100   | 98    | 96     | 97    | 97    | 103   |
| Consumers' price <u>2/ 4/</u>                       |                           |       |       |        |       |       |       |
| Total.....                                          | 1935-39=100               | 169   | 168   | 167    | 169   | 170   | 172   |
| Food.....                                           | do.                       | 202   | 202   | 197    | 200   | 205   | 210   |
| Nonfood.....                                        | do.                       | 151   | 150   | 151    | 151   | 151   | 151   |
| Income                                              |                           |       |       |        |       |       |       |
| Nonagricultural payments <u>5/</u>                  | Bil. dol.                 | 188.2 | 186.8 | 198.7  | 198.4 | 199.1 |       |
| Income of industrial<br>workers <u>3/</u> .....     | 1935-39=100               | 325   | 315   | 340    | 348   | 362   |       |
| Factory pay rolls <u>2/</u> .....                   | do.                       | 346   | 333   | 359    | 371   | 386   |       |
| Weekly earnings of factory<br>workers <u>2/</u>     |                           |       |       |        |       |       |       |
| All manufacturing.....                              | Dollars                   | 54.94 | 54.63 | 56.93  | 57.72 | 58.74 | 59.02 |
| Durable goods.....                                  | do.                       | 58.03 | 57.31 | 60.97  | 61.72 | 62.94 | 62.50 |
| Nondurable goods.....                               | do.                       | 51.46 | 51.55 | 52.21  | 52.87 | 53.92 | 54.84 |
| Employment                                          |                           |       |       |        |       |       |       |
| Total civilian <u>6/</u> .....                      | Millions                  | 58.7  | 59.7  | 58.7   | 59.7  | 61.5  | 61.2  |
| Nonagricultural <u>6/</u> .....                     | do.                       | 50.7  | 50.1  | 51.5   | 51.7  | 52.4  | 52.8  |
| Agricultural <u>6/</u> .....                        | do.                       | 8.0   | 9.6   | 7.2    | 8.1   | 9.0   | 8.4   |
| Government finance (Federal) <u>7/</u>              |                           |       |       |        |       |       |       |
| Income, cash operating.....                         | Mil. dol.                 | 3,448 | 2,081 | 1,683  | 2,939 | 4,687 |       |
| Outgo, cash operating.....                          | do.                       | 3,554 | 2,966 | 3,344  | 3,700 | 4,061 |       |
| Net cash operating income or<br>outgo.....          | do.                       | - 106 | - 885 | -1,661 | - 762 | + 626 |       |

Annual data for the years 1929-49 appear on page 19 of the March 1950 issue of The Demand and Price Situation.

Sources: <sup>1/</sup> Federal Reserve Board, construction activity converted to 1935-39 base. <sup>2/</sup> U. S. Department of Labor, Bureau of Labor Statistics. <sup>3/</sup> U. S. Department of Agriculture, Bureau of Agricultural Economics, to convert prices received and prices paid interest, taxes and wage rates to the 1935-39 base, multiply by .93110 and .79872 respectively. <sup>4/</sup> Consumers' price index for moderate-income families in large cities. <sup>5/</sup> U. S. Department of Commerce revised figures, seasonally adjusted at annual rates. <sup>6/</sup> U. S. Department of Commerce, Bureau of the Census. <sup>7/</sup> U. S. Department of Treasury. Data for 1949 are on average monthly basis.



Recent increases in prices of farm products indicate that cash receipts from farm marketings in 1950 may total 27.5 billion dollars or only 2 percent under the 1949 total. Prices received by farmers rose above the corresponding levels of a year ago in July and August and are likely to continue above last year in the remaining months of 1950. For the entire year, farm product prices may average about the same as in 1940. However the volume of farm marketings is likely to be slightly smaller. Gross farm income--including Government payments, the value of home consumption, and the rental value of dwellings in addition to cash receipts from marketings is now estimated at 31.5 billion dollars as compared with 32.2 billion dollars in 1949. With farm production expenses higher than in 1949--perhaps a half billion dollars larger than the 1949 total of 18 billion dollars--farm operators' realized net income this year may total about 13 billion dollars as compared with 14 billion last year and the postwar record of 17.8 billion dollars in 1947.

The wave of scare buying brought on by developments in Korea has receded substantially in recent weeks. The prospective military expansion, as presently outlined, is not likely to cut civilian supplies appreciably this year. Even in the case of steel, which is in tight supply, total military requirements are estimated to represent only 6 percent of capacity.

Although the flow of civilian goods is likely to continue relatively unimpeded through most of 1950, demand is likely to strengthen as employment and overtime work increases.

#### Commodity Highlights

Prices of hogs are expected to decline seasonally this fall. Prices of both grass and fed cattle may drop moderately during the early fall when cattle slaughter is largest. Prices for fluid milk and most manufactured dairy products are expected to advance seasonally in coming months. Prices of fats and oils in the United States probably will average higher in the next 12 months than in the past 12. Some seasonal decline in corn prices is expected this fall, but they will average higher during the remainder of 1950 than in the same period of 1949. Following the harvest and heavy marketing movement, the general trend in wheat prices is expected to be gradually upward. Grower prices for deciduous fruits are expected to average somewhat higher in September and October than in the same months of 1949. Some declines in prices of oranges and grape-fruits are expected in October. There is little prospect of prices received for potatoes rising much above the support levels for the rest of the 1950 crop marketing season. Domestic wool prices probably will continue strong for some time. Demand for flue-cured tobacco is expected to remain strong.

#### OUTPUT AND EMPLOYMENT

The Federal Reserve Board's seasonally adjusted index of industrial production, at 197 (1935-39=100), placed July output 2 points below the postwar high reached in June, as a result of numerous plant shutdowns for vacations which the Board notes were not fully allowed for in computing the index.

A rather substantial rise in total industrial output is indicated for August. The Federal Reserve Board estimates that its index for that month will be about 204. Activity in most durable goods industries was either maintained at or increased from the already high July rates, while the production of textiles, coal and paper products recovered from the temporary declines in July.

Durable goods production in July declined, the index dropping 2 points to 235. Most of the major industry groups registered slight declines from June levels, largely reflecting holiday influences. Production of machinery, however, rose for the eighth consecutive month as a result of substantial increases in output of various types of construction and industrial equipment. Steel output continued close to capacity during July. It is estimated that even with the expanded military program, steel requirements for military purposes will be only 6 percent of potential capacity as compared with the present rate of 2 percent.

Plant shutdowns for vacations in the cotton textiles, paper and paperboard, and printing and publishing industries were largely responsible for a slight drop in non-durable goods output from June. The index in July was 181, 3 points below the all-time peak reached in June. Production of petroleum and coal products, and rubber products continued to rise, while activity in most other major groups of industries was maintained close to June levels.

Mineral production declined 3 percent in July largely because of reduced coal output. Crude petroleum production increased further.

Total new construction activity continued at a record pace in July with outlays totaling 2.6 billion dollars for the month. The July total exceeded the June level by 6 percent and that of July 1949 by 25 percent. From January through July total expenditures were estimated at 14.4 billion dollars, 19 percent above the same period in 1949.

Expenditures on private construction, paced by the record volume of homebuilding, advanced 6 percent above June and 32 percent above July a year earlier. Compared with a year ago, private construction expenditures during the first 7 months of this year increased 23 percent. Expenditures on new dwelling units in July, which accounted for 57 percent of all private outlays, were up 8 percent from June and 68 percent from July 1949. From January through July they were 60 percent above January-July 1949. Nonresidential construction outlays were also up from June 1950 and July 1949 as industrial building continued to expand. Farm and public utility construction outlays were higher than in June, but somewhat lower than the July 1949 levels.

Public construction outlays rose 6 percent above June and 9 percent above July 1949. Outlays for highway construction increased substantially from June, and expenditures on other projects rose moderately. In January-July this year total public outlays were 10 percent above the same period a year ago.



Total civilian employment in early July was estimated at 61.2 million persons, compared with 61.5 million in June and 59.7 million in July 1949. Nonagricultural employment continued to expand in July, rising for the fifth consecutive month. At 52.8 million, the number employed in nonfarm jobs was at the previous all-time peak reached in August 1948 and reflected further expansion in the manufacturing and construction industries. Despite the rise in nonfarm employment, however, manhours worked were considerably lower in July than in June because of the record number of workers on vacation and the occurrence of the July 4 holiday in the survey week.

The number of unemployed in early July dropped to 3.2 million, 200,000 below June, 900,000 below July last year, but 1.8 million above July 1948. The decline from June reflected the larger drop in the civilian labor force than in total civilian employment. Most of the reduction in unemployment took place among teen-age youngsters; the number of adult workers out of jobs was virtually the same as in June. The number of persons out of work 15 weeks or longer declined for the third successive month, dropping from 910,000 in June to 700,000 in July. From early 1949 to April 1950, the number of long term unemployed had been increasing rather steadily, reaching a peak of 1 1/4 million in the latter month.

#### INCOME AND RELATED FACTORS

Personal income, excluding National Service Life Insurance refunds, was at a seasonally adjusted annual rate of 215.0 billion dollars in June, 1.6 billion above May, 9.9 billion greater than in June 1949 and .7 billion above the previous peak reached in October 1948. The May-June rise was entirely due to rather substantial increases in wage and salary receipts and somewhat smaller gains in farm and nonfarm proprietors' income.

Salary and wage receipts increased to a new record annual rate of 138.9 billion dollars in June, largely as a result of increased employment and a longer average workweek in construction and most durable goods industries, especially automobiles. The rate was 1.2 billion dollars above May, 7.3 billion above June 1949 and 2.6 billion above the previous peak reached in September and October 1948.

National Service Life Insurance refunds in June totaled 70 million dollars, compared with a peak of 887 million disbursed in March. They declined further in July to 29 million dollars, indicating the virtual completion of the special dividend distribution of an estimated 2.8 billion dollars.

Sales at department stores in July reached the highest level for that month on record. Although sales during July are normally low, the heavy wave of buying which followed developments in Korea brought the Federal Reserve Board's seasonally adjusted index to 363 (1935-39=100), 22 percent above June and 29 percent above July a year ago. Sharp increases in sales were reported by stores in all sections of the country with gains from a year ago running as high as 71 percent in the Dallas Federal Reserve District during the week ending July 22. During the same week sales for the country as a whole were 46 percent above a year



earlier. The heavy wave of buying receded somewhat in August. During the weeks ending August 12 and August 19 increases from a year ago were 26 percent and 12 percent, respectively.

Sales at all retail stores registered a sharp contraseasonal rise from June to July. At 12.6 billion dollars, sales in July, after allowance for seasonal factors, were up 7 percent from June and 20 percent from July a year earlier.

Seasonally adjusted sales at homefurnishing stores showed the sharpest increase from June, 24 percent, reflecting heavy sales of home appliances and television sets. In the automotive group, heavy buying of tires and other auto accessories pushed sales 9 percent above June. More moderate gains were reported by building materials and hardware stores.

In the nondurable goods group, general merchandise stores, whose sales normally decline sharply from June to July, reported an increase of 15 percent after seasonal adjustment. A large volume of sales of tires and parts at filling stations were largely responsible for an 11 percent rise in sales at those outlets. Sales at food stores were up 5 percent from June, as a result of higher prices and some stocking up by consumers of nonperishable foods.

Consumer credit continued as an important prop to the level of consumers' purchases during June. Record increases during July in most major types of credit are also likely to be shown by the data when they become available, reflecting the heavy wave of severe buying at most retail stores. Total consumer credit outstanding at the end of June was estimated at 19.6 billion dollars, 550 million above May and 3.5 billion above June 1949. Instalment credit outstanding accounted for a major part of the June increase, rising 395 million dollars to a total of 12.1 billion. Borrowing to finance purchases of automobiles expanded further during the month and accounted for about two-fifths of the rise in instalment outstandings. Loan balances also contributed rather heavily to the rise in the latter. Noninstalment credit was up from May largely as a result of a rise in charge account indebtedness. The President has requested from Congress authority to regulate consumer credit.

#### COMMODITY PRICES

The general level of wholesale prices increased sharply in July under the pressure of rising demand and speculation regarding the impact of developments stemming from the outbreak in Korea. The BLS comprehensive monthly index in July was 162.9 (1926=100), 3.6 percent above June, 6.1 percent above July a year ago, and only 4.1 percent below the August 1948 peak. Prices of farm products and foods registered the sharpest advances during the month, rising an average of 6.1 and 5.7 percent respectively from June. Prices of industrial commodities increased 1.8 percent from June, reflecting substantial increases in building materials and textiles and more moderate gains in fuel and lighting materials, metals, and chemicals.



Table 1.- Group indexes of wholesale prices, week ended August 22, 1950 with comparisons

(1926=100)

| Group                         | Week ended Aug. 22, 1950 | Week ended July 25, 1950 | Week ended Aug. 23, 1949 | Week ended Aug. 22, 1950 percentage change from |                            |
|-------------------------------|--------------------------|--------------------------|--------------------------|-------------------------------------------------|----------------------------|
|                               |                          |                          |                          | Week ended July 25, 1950                        | Week ended August 23, 1949 |
| All commodities               | 163.1                    | 163.7                    | 152.7                    | + 1.5                                           | + 8.8                      |
| Farm products                 | 176.4                    | 177.0                    | 160.6                    | - .3                                            | + 9.8                      |
| Foods                         | 174.4                    | 173.8                    | 160.4                    | + .3                                            | + 8.7                      |
| All other than farm and food: |                          |                          |                          |                                                 |                            |
| Textile products              | 149.6                    | 140.8                    | 138.6                    | + 6.2                                           | + 7.9                      |
| Fuel and lighting materials   | 134.3                    | 133.8                    | 129.6                    | + .4                                            | + 3.6                      |
| Metals and products           | 174.9                    | 173.5                    | 168.2                    | + .8                                            | + 4.0                      |
| Building materials            | 215.2                    | 207.2                    | 187.6                    | + 3.9                                           | + 14.7                     |
| Chemicals and allied products | 121.6                    | 118.6                    | 120.8                    | + 2.5                                           | + .7                       |

Bureau of Labor Statistics

The upward movement in the level of all commodity prices continued in August, although at a much slower pace. Further substantial increases occurred in prices of industrial commodities, particularly textiles and building materials. Wholesale prices of the latter group were at a new record high. Wholesale prices of farm products and foods, which rose sharply during July, were virtually stable during the four weeks ending August 22.

Wholesale prices during the week ending August 22 averaged 8.8 percent higher than in the same week a year earlier. Farm product prices were 9.8 percent higher; food prices, 8.7 percent higher; and prices of industrial commodities, 7.1 percent higher. Among the major groups of industrial commodities, prices of building materials and textiles registered the sharpest increases from a year ago.

The BAE index of prices received by farmers in mid-August was 267 (1910-14=100), slightly less than 2 percent above mid-July, and 9 percent higher than in August 1949. Price changes for the major commodity groups between mid-July and mid-August were mixed. The average of all crop prices was 1 percent higher than in the previous month as further gains in prices received for cotton, tobacco, and oilseeds more than offset declines shown for food and feed grains, fruit, truck crops and other vegetables. Among the livestock and livestock products groups, further advances in prices received for dairy products, poultry and eggs, and wool more than offset a 1 percent decline in meat animal prices, bringing average prices received for all livestock and livestock products 2 percent above the level of mid-July.

Table 2.- Group indexes of prices received, by farmers, August 15, 1950 with comparisons

| (1910-14=100)                    |   |     |     |     |                        |            |
|----------------------------------|---|-----|-----|-----|------------------------|------------|
| Group                            | : | :   | :   | :   | August 15, 1950        |            |
|                                  |   |     |     |     | percentage change from |            |
|                                  | : | :   | :   | :   | July 15,               | August 15, |
|                                  | : | :   | :   | :   | 1950                   | 1949       |
|                                  | : | :   | :   | :   | :                      | :          |
| Food grains                      | : | 224 | 226 | 205 | - 1                    | + 9        |
| Feed grains and hay              | : | 193 | 195 | 165 | - 1                    | + 17       |
| Cotton                           | : | 311 | 278 | 246 | + 12                   | + 26       |
| Tobacco                          | : | 399 | 387 | 400 | + 3                    | 1/         |
| Oil-bearing crops                | : | 293 | 267 | 241 | + 10                   | + 22       |
| Fruit                            | : | 200 | 211 | 181 | - 5                    | + 10       |
| Truck crops                      | : | 164 | 200 | 170 | - 18                   | - 4        |
| Other vegetables                 | : | 183 | 186 | 223 | - 2                    | - 18       |
|                                  | : | :   | :   | :   | :                      | :          |
| All crops                        | : | 239 | 236 | 214 | + 1                    | + 12       |
|                                  | : | :   | :   | :   | :                      | :          |
| Meat animals                     | : | 369 | 371 | 310 | - 1                    | + 19       |
| Dairy products                   | : | 240 | 232 | 244 | + 3                    | - 2        |
| Poultry and eggs                 | : | 191 | 173 | 225 | + 10                   | - 15       |
| Wool                             | : | 328 | 321 | 261 | + 2                    | + 26       |
|                                  | : | :   | :   | :   | :                      | :          |
| Livestock and products           | : | 292 | 287 | 271 | + 2                    | + 8        |
|                                  | : | :   | :   | :   | :                      | :          |
| Crops and livestock and products | : | 267 | 263 | 244 | + 2                    | + 9        |
|                                  | : | :   | :   | :   | :                      | :          |

1/ Less than one-half percent decrease.

Prices received by farmers have advanced 14 percent since mid-January. About two-thirds of this rise was due to sharply increased prices received for meat animals. The seasonal increase in meat animal marketings this fall will check further price increases and is likely to result in somewhat lower prices for hogs and the better grades of beef cattle.

Compared with a year ago, prices received for most major groups of commodities were higher. All crop prices averaged 12 percent above August 1949 with all groups, except "other vegetables", and truck crops, registering increases. Prices received for feed grains, cotton, oilseeds, and fruit were substantially above those of a year earlier. Average prices received for livestock and livestock products were 8 percent higher than in August 1949 with substantial gains in prices received for wool and meat animals more than offsetting sharply lower prices for poultry and eggs and moderately lower prices for dairy products.

Prices paid by farmers, including interest, taxes, and wage rates averaged higher in mid-August than in the previous month, largely as a result of advances in prices paid for food, clothing, building materials, and household furnishings. The BAE parity index in mid-August was 258 (1910-14=100), compared with 256 in mid-July and 249 in August 1949. Reflecting about equal changes in prices received and paid by farmers from



mid-July to mid-August, the parity ratio (index of prices received divided by index of prices paid, including interest and taxes), at 103, was the same as in mid-July and 5 points above August a year earlier. August marked the second month since May 1948 in which farm products generally averaged at or above parity.

Prices paid by urban families of moderate incomes in July were at the highest level in 21 months. The BLS index of consumers' prices in mid-July was 172.5 (1935-39=100), 1.4 percent above June, 2.4 percent above July a year ago, and only 1.1 percent below the all-time high reached in August 1948. Average prices paid for food rose 2.6 percent, reflecting substantial increases in prices paid for meat, poultry, eggs, coffee, and sugar. Prices paid for fuel and housefurnishings also rose. So did rents, which continued their slow upward trend. Clothing prices were fractionally lower than in the previous month.

### AGRICULTURAL EXPORTS

In the second quarter of 1950 the total value of agricultural exports was 731 million dollars or about the same as in the first quarter and 27 percent lower than in the second quarter of 1949.

Table 3.- Value of exports of United States agricultural products in specified periods

| Period                 | (Million dollars)              |                                |                                         |                                   |                |                |
|------------------------|--------------------------------|--------------------------------|-----------------------------------------|-----------------------------------|----------------|----------------|
|                        | Cotton<br>including<br>linters | Tobacco<br>unmanu-<br>factured | Other<br>agri-<br>cultural<br>non-foods | Grain<br>and<br>prep-<br>arations | Other<br>foods | Grand<br>total |
| 1935-39 Annual average | 318                            | 128                            | 29                                      | 95                                | 178            | 748            |
| 1947                   |                                |                                |                                         |                                   |                |                |
| Total                  | 427                            | 271                            | 112                                     | 1,881                             | 1,266          | 3,957          |
| 1948                   |                                |                                |                                         |                                   |                |                |
| Total                  | 511                            | 215                            | 150                                     | 1,715                             | 882            | 3,473          |
| 1949                   |                                |                                |                                         |                                   |                |                |
| 1st quarter            | 252                            | 52                             | 74                                      | 434                               | 214            | 1,026          |
| 2nd quarter            | 272                            | 40                             | 84                                      | 385                               | 224            | 1,005          |
| 3rd quarter            | 103                            | 84                             | 49                                      | 343                               | 147            | 726            |
| 4th quarter            | 247                            | 76                             | 50                                      | 299                               | 147            | 819            |
| Total 1949             | 874                            | 252                            | 257                                     | 1,461                             | 732            | 3,576          |
| 1950                   |                                |                                |                                         |                                   |                |                |
| 1st quarter            | 302                            | 31                             | 60                                      | 218                               | 123            | 734            |
| 2nd quarter            | 297                            | 44                             | 59                                      | 185                               | 146            | 731            |

It is expected that the quantities and values of wheat and cotton exported in the last half of this year will be smaller than in the first half. The export price of wheat in the second half of 1950 is not expected to be much different than in the first half. Cotton prices have advanced

substantially from the first half level. The quantity, price and value of exported tobacco is expected to be higher in the last half of 1950.

## FARM INCOME

### Farm-Income Prospects for 1950

An interim reappraisal of the outlook for farm income during the remainder of 1950 indicates that both gross and net income for the year as a whole will be down somewhat less than had been anticipated.

Cash receipts from farm marketings during the first half of the year, estimated at 9 percent less than in the first half of 1949, were about in line with expectations. However, with higher prices during July and August, cash receipts in those months were equal to, or perhaps a little higher than, receipts in July and August of last year. Since the remaining months of 1950 are likely to compare just as favorably with last year, total cash receipts this year may equal 27.5 billion dollars, or only 2 percent under the 1949 total. Gross farm income--including Government payments, the value of home consumption, and the rental value of dwellings, in addition to cash receipts from marketings--is now estimated at 31.5 billion dollars.

But not all of the improved prospects for gross farm income will be reflected in net incomes. Farmers' expenses of production are also rising contrary to earlier expectations--perhaps by a half billion dollars from the 1949 total of 18 billion. And farmers' realized net incomes this year may total about 13 billion dollars as compared with 14 billion last year.

These estimates are tentative, and are published in the light of recent and rapid changes in price and demand conditions. They will be superseded by a more detailed reappraisal in the Outlook issue of this report, to be published in October.

### Cash Receipts in August and January-August

Farmers received about 2.6 billion dollars from marketings in August, 13 percent above July and slightly more than in August last year. Prices on the whole averaged a little higher than in July and 9 percent above a year ago. Marketings were up from July but somewhat lower than in August 1949.

Producers received about 1.4 billion dollars from the sale of livestock and livestock products in August, 11 percent more than in the previous month and 8 percent above last year. Prices averaged slightly higher than in July and 8 percent higher than a year ago. It is estimated that receipts from meat animals were comparatively high in August--25 percent above July and 20 percent above August 1949. The increase over July was due to greater marketings, and the increase over August 1949 was due to higher prices. Dairy receipts were a little lower than in July 1950, but about the same as in August a year ago. Slightly higher prices of dairy products did not offset seasonally lower marketings. Compared with last August, however, slightly lower prices were about offset by larger marketings. Receipts from poultry and eggs were slightly larger than in July, with higher average prices more than offsetting a slightly smaller volume of sales. But they were below last August because of substantially lower prices.



Crop receipts in August were approximately 1.2 billion dollars, 16 percent more than in July but about 6 percent less than a year ago. Prices received for crops averaged slightly higher than in July and 12 percent above August of last year. Receipts from wheat were down from July. They were also lower than in August of last year because of a smaller crop. However, receipts from feed crops were up from both July 1950 and August 1949. Cotton was up seasonally and about the same as last year. Receipts from oil-bearing crops were above July because of seasonally larger marketings, but smaller crops of flaxseed and peanuts held receipts below a year ago. Receipts from tobacco were up sharply from July and were a little above last August. Receipts from vegetables were above last August because of larger marketings. Fruits were down seasonally compared with July, but they were above a year ago since higher prices more than offset smaller crops of peaches, apples, and grapes.

Total receipts from marketings during the first eight months of 1950 were about 15.5 billion dollars, or 6 percent less than in the corresponding period last year. Prices averaged 3 percent below the 8-month period last year. Marketings also were down about the same percentage.

Livestock receipts for January through August were about 9.7 billion dollars, 2 percent below last year. Receipts from dairy products and poultry and eggs were both down because lower prices more than offset greater marketings. Slightly larger receipts from meat animals resulted from increases in both prices and marketings. Crop receipts, totaling 5.8 billion dollars, were down about 12 percent from the first eight months last year. Receipts from nearly all the major crops were lower than a year ago, mainly because of smaller marketings. Average crop prices for the year to date are not down significantly for any of the major groups except fruit and vegetables.

#### LIVESTOCK AND MEAT

Prices of hogs are expected to decline seasonally this fall as marketings increase, but to be higher than last fall. Prices of both grass and fed cattle may be reduced moderately during the early fall when cattle slaughter is largest, but are likely to recover any losses later in the year or early in 1951.

Prices of hogs were steady in August, continuing near their highest point for the year to date. Prices of cattle eased off somewhat from their July peak. Prices for all reported grades and classes of meat animals this August were higher than a year earlier, but with few exceptions they were below the very high prices two years earlier.

The percentage increase this spring and summer in the retail value of meat consumed was fully as great as that in consumers' incomes, indicating that demand for meat has increased substantially. Demand is stronger now than it was a year ago. As defense expenditures are expanded this fall and winter consumers' incomes are expected to rise and demand for meat will be increased further. The seasonal declines in prices of meats and meat animals this fall may be less than usual.

Meat production this summer was a little larger than last summer. A larger output of pork made the difference. Meat production this fall also will exceed that of last fall. There will be more beef as well as



more pork. Meat consumption per person in the October-December quarter may be up about one pound from the 37.3 pounds consumed in that quarter of 1949. Since consumption per person in the first 3 quarter will total almost as much as a year earlier, the figure for all of 1950 will probably slightly exceed the 144 pounds consumed in 1949.

Sheep and lamb slaughter from March through June was larger than a year earlier, although early in the year it was below a year ago. Lately it has again been smaller than in 1949, and it is likely to continue smaller the rest of this year. The 1950 lamb crop is estimated as 18.4 million head, 2 percent fewer than were saved in 1949.

Average prices of all feeder cattle this summer were about \$6.00 per 100 pounds higher than a year earlier and very close to all time highs. Returns to farmers on feeders purchased at these high levels will be equal to or above those of recent years only if these cattle are sold at prices higher than they were in the first half of 1950. Whether such a level prevails will depend largely, in the absence of price controls, on the extent of demand for beef in the next 6 to 12 months.

#### DAIRY PRODUCTS

The average wholesale price received by farmers for all milk showed about the usual seasonal increase in mid-August. Excepting seasonal changes, it has changed about 1 percent since last November. In mid-August, it was \$3.73 per hundredweight, compared with \$3.86 a year ago, and \$5.01 in August 1948. Manufacturing milk prices probably will not change substantially in the near future despite some increase in demand and declining seasonal production, because total supply will continue to exceed demand at prevailing support prices. The USDA holds large stocks of butter, cheese and nonfat solids which are available for sale through private channels at prices slightly above support levels. The price of butterfat has stayed close to 60 cents a pound for the past year and a half.

Since the Korean outbreak in late June, total demand for dairy products has been relatively stable in contrast to significant increases for some other livestock products. In coming months, however, prices for fluid milk and most manufactured dairy products are expected to advance seasonally since production will decline.

Milk production on farms continues at high levels and during January-July 1950 was 2.1 percent above the flow in the same months of 1949. Production to date this year has been at an annual rate of 121.4 billion pounds. If pasture conditions remain good through the fall and farmers continue to feed concentrates at relatively high rates, milk production in 1950 may equal the record of 121.5 billion pounds reached in 1945.

The number of milk cows in the United States at mid-year was unchanged from a year earlier. By regions, the mid-year number of cows as percentages of a year earlier were as follows: North Atlantic and East North Central, 99.5; West North Central, 99.1; South Atlantic, 101.7; South Central, 101.3; and Western, 100.1. Of some influence on cow numbers in recent months have been the unfavorable dairy-feed relationship and high prices for meat animals, along with stable dairy product prices at the approximate equivalent of support levels.



## POULTRY AND EGGS

Prices of both eggs and poultry continued to rise from mid-July to mid-August. At 38.0 cents per dozen, the U. S. average price paid to farmers for eggs in August was 3.8 cents higher than in July. This increase compares with the 4.1 cent increase recorded from mid-June to mid-July this year. Seasonally adjusted, the prices received by farmers for eggs during the first 6 months of 1950 averaged 33.9 cents per dozen, compared with 35.3 cents in July, and 36.9 cents in August.

The average of chicken prices, 25.4 cents per pound live, was 2 cents higher than a month earlier. Fluctuations in prices received for some classes of chickens from mid-July to mid-August, however, were wider than that indicated by the composite price. For example, on July 14 broilers were 32 cents per pound on the Del-Mar-Va Peninsula, one of the principal production areas. On July 19 they were 37 cents, and on August 11 they were back down to 30 cents.

In mid-August, wholesale prices of frozen tom turkeys of last year's crop were approximately the same as during the 1949 holiday season. The average price received by farmers for turkeys at 33.8 cents per pound was the same as a year ago.

## FATS, OILS AND OILSEEDS

Prices of nearly all fats and oils shared in the general upturn of agricultural and raw materials prices following the Korean crisis. Dealers and users apparently bought substantial quantities of fats and fat-and-oil products to build up inventories. The movement of most fats through domestic trade channels was speeded up. Prices of most vegetable oils showed a rising trend to the end of August, but prices of lard, inedible tallow, and greases declined moderately in August from peaks reached in late July.

The index number of wholesale prices of 26 fats and oils (butter excluded) advanced 9 percent in July to 165 (1935-39=100), 14 points higher than a month earlier and 11 points above July 1949. The index advanced further in August to about 175.

The principal long-term effect of the Korean situation (as it has developed to date) on fats and oils prices will be through increased industrial activity and consumer incomes, primarily in the United States but also abroad. Industrial demand for fats, as for other raw materials, will rise. Consumers probably will have more money to spend for food fats and oils, soap, paint, and other products which use fats in their manufacture. In addition, users, dealers, and producers of fats, oils, and fat-and-oil products probably will be willing to keep more money invested in inventories than before the Korean crisis. With these increases in demand, prices of most fats and oils are likely to average higher in the next 12 months than in the past 12.

Prices of many domestic fats and oils may be temporarily depressed this fall, however. Demand will weaken from recent levels as the wave of buying for inventory-building subsides. This may coincide with the seasonal peak in lard output; lard production this fall is expected to be at the highest rate since the winter of 1944. Also, with the 1950 soybean crop likely to be materially larger than in any previous year, the price of soybeans is likely to decline more than seasonally at the peak of marketings in October and November, unless farmers spread marketings over a longer period than usual. These price-depressing factors will be partly offset by a substantial reduction in cottonseed-oil output this fall compared with last.



## CORN AND OTHER FEED

Prices of most feeds declined in August from the high levels reached in July. Price declines were especially pronounced for oats, soybean meal, wheat millfeeds, and animal protein feeds. Prices of animal protein feeds and soybean meal in August were below the record level reached in that month of 1949, while prices of most other feeds were somewhat higher than a year ago.

Feed prices this fall and winter are expected to be supported by a strong demand and, except for sorghum grains, by slightly higher price supports on the 1950 crops. Although some seasonal decline in corn prices is to be expected when the big 1950 crop is harvested this fall, feed grain prices probably will average higher during the remainder of 1950 than in the same period of 1949. The seasonal decline in prices of oats and barley brought prices of these grains to near the 1950 price supports in August, although they were substantially higher than in August 1949. The price of No. 3 Yellow corn at Chicago has remained firm, with weekly prices averaging about \$1.55 per bushel during July and August.

Weather has been favorable for feed crops again this year, and ample supplies of both feed grains and forage crops are in prospect for the 1950-51 feeding season. Supplies of all feed concentrates are expected to total about 181 million tons, about equal to the record supply for 1949-50. The supply of feed grains, including the big carry-over from last year, was estimated in August at 156 million tons, also near record and one-third larger than in 1937-41. A corn supply of a little over 4.1 billion bushels is in prospect, slightly smaller than last year, but more than a billion bushels larger than in most prewar years. Included in this supply is a prospective record carry-over of 950 million bushels on October 1, 1950 about two-thirds of which probably will be under the price support program. Most of the corn in the latter category will be under government ownership and would be available for feeding only at prices somewhat higher than the current level.

The hay supply for 1950-51, estimated at about 120 million tons, is 4 percent larger than last year and will provide as much hay per animal unit as in any previous year. Pastures have been unusually good this summer in most States.

## WHEAT

Wheat prices are slightly below the loan level. On August 29 the price of No. 2 Hard Winter at Kansas City at \$2.20 was 5 cents under the loan rate of \$2.25. The low of \$2.09 for this year was reached on June 24, and the high of \$2.81 for the new crop was reached on July 22. With the heavy marketing movement yet to come, the price of No. 1 Dark Northern Spring at Minneapolis on August 29 was 1 cent below the loan rate of \$2.27. Continued price fluctuations may be expected in response to changing international conditions. The general trend in price is expected to be gradually upward, however, following the harvest and heavy marketing movement. This has been the case in other seasons in which the loan program has been in effect.



United States domestic wheat supplies are now estimated at 1,413 million bushels, or 41 million less than the 1,454 million bushels in 1949-50. The July 1 carry-over of old wheat was 417 million bushels and the new crop was estimated at 996 million on August 1--an increase of 40 million bushels from the July indication. A crop of this size would be the smallest since 1943, 13 percent below the 1949 crop and 3 percent below the 10-year average. However, the crop was larger than the current estimate in only one year prior to 1944.

Domestic wheat disappearance in the year beginning July 1 may total about 723 million bushels, leaving about 690 million bushels available for export in 1950-51 and carry-over July 1, 1950. If exports, shipments, and military procurement reach 265 million bushels the carry-over July 1, 1951 would be about 425 million bushels, or little above stocks on July 1, 1950.

Present prospects point to larger wheat crops in all major producing areas of the Northern Hemisphere, except North Africa. A large increase in Canada, where the crop is indicated at 544 million bushels compared with 367 million last year, largely offsets the decline in the United States. Production is expected to total about 5 percent above 1949 and 7 percent larger than the 1935-39 average. The largest increase, compared with last year, is expected in Asia where the harvest (excluding China) is reported well above the 1949 outturn; prospects are better than a year ago in most countries and especially in Turkey.

Breadgrain (wheat and rye) production in Europe is indicated to be slightly larger than the good 1949 harvest, but still about 5 percent below the 1935-39 average. In western Europe conditions were variable with total outturn better than last year and in the United Kingdom sharply above average. A smaller crop is reported for France, the Low Countries, and Switzerland. Central Europe also had variable conditions. In Germany, Poland and Austria little change from last year's crops is expected, while Czechoslovakia's outturn is indicated to be smaller. The net total for the Danube Basin countries may be a little above the 1949 total. Conditions in the Mediterranean countries are much more favorable than in 1949. The crops in Greece and Italy are also reported to be somewhat larger. Larger harvests are reported for Sweden and Norway. Denmark's crops are reported smaller, but in Finland the harvest is expected to be about the same as a year ago. Breadgrain crops in the Soviet Union may show little net change from the 1949 level.

#### FRUITS AND NUTS

Grower prices for deciduous fruits are expected to average somewhat higher in September and October than in these months of 1949, largely as a result of lower production and stronger demand. As harvesting reaches peak volume this fall, prices probably will decline about seasonally in contrast to larger than seasonal drops a year ago.

With the commercial apple crop about 12 percent smaller than the large 1949 crop but 8 percent above the 1939-48 average, grower prices for apples this fall are expected to continue considerably above prices of a year earlier. Grower prices for pears are expected to continue substantially above the very low prices of the summer of 1949, because of stronger demand for pears for canning and a much smaller crop. The total pear crop is



21 percent smaller than the record 1949 crop and 6 percent below average. In the 3 Pacific Coast States, production of Bartlett pears, which are the principal canning pear, is about 25 percent smaller than in 1949 and near average.

Higher grower prices for grapes this fall than last also seem likely because the crop is moderately under both 1949 and average and because of stronger demand for processing. With stocks of wine on May 31, 1950, about one-fifth smaller than on that date in 1949, demand for grapes for manufacture into wine is expected to be considerably stronger than in 1949, resulting in higher prices for grapes and in fewer grapes being dried into raisins.

Prices for oranges and grapefruit in September probably will continue near the levels of August. But as new crop fruit from Florida reaches the market in volume in October, some declines in prices may be expected.

Total production of almonds, walnuts, filberts, and pecans in 1950 is estimated to be about one-fifth smaller than the record 1949 crop. Grower prices for the new crops probably will average somewhat higher than 1949 prices.

#### COMMERCIAL TRUCK CROPS

##### For Fresh Market

Because of the ample summer supplies, prices received by farmers for most fresh market truck crops will decline seasonally through September. Prices of some crops have already reached low levels, particularly cabbage. Through early August, the growing season had been about 2 weeks late in many northern areas. Estimated summer harvest of cabbage, watermelons, and onions will be substantially larger than last year and larger than average. Prices received for these 3 crops are likely to average considerably lower than those received a year earlier. On the other hand, the estimated summer crops of beets, celery, eggplant and green peas are much smaller this year than last.

The total summer production of 19 truck crops is expected to be 4 percent larger than during the 1949 summer season, and 7 percent more than the 1939-48 average.

##### For Processing

Because the production plans of farmers and processors were made long before the Korean situation developed, the acreage and production of most truck crops grown for commercial canning and freezing were undoubtedly somewhat smaller and contract prices to growers somewhat lower than they might have been if the present situation had been anticipated.

Prices received by growers of processing crops were largely set by contract, and established early last spring. On the other hand, retail prices of canned and frozen vegetables probably will be strengthened or raised by the higher level of demand arising as a consequence of the Korean developments.



Aggregate processing tonnage of snap beans, kraut cabbage under contract, sweet corn, green peas, winter and spring spinach, and tomatoes is estimated to be about 6 percent smaller than in 1949 and 4 percent below the recent 10-year average. The crops of snap beans, sweet corn and winter and spring spinach are smaller than last year, while those of kraut cabbage under contract, green peas and tomatoes are larger than last year.

#### POTATOES AND SWEETPOTATOES

If the 407 million bushel crop indicated by August 1 conditions is realized, there is little prospect of prices to growers rising much above the support levels for the rest of the 1950 crop marketing season. Heavy purchases have been and will have to be made under the price support program this year. Price support for the crop is on a slightly lower level than that for the 1949 crop, because of a slightly lower parity for potatoes at the beginning of the marketing season. In the 29 late States which supply most of the potatoes from November through next winter, production is about the same as last year about equal to the 1939-48 average.

As of August 1 the prospective sweetpotato crop this year was indicated to be 9 percent larger than the 1949 crop and only 4 percent below the 10-year average. Even if demand for sweetpotatoes may be somewhat stronger this year than last, prices received by farmers for sweetpotatoes and prices at retail probably will be at least moderately lower this season than last.

#### COTTON

The prospective supply of cotton in the 1950-51 season is 16.8 million running bales. The first official forecast placed the 1950 crop at 10.1 million running bales (10.3 million bales of 500 pounds gross weight) while the August 1 carry-over is estimated at around 6.5 million bales. Imports and city crop will probably account for another 200,000 bales. A supply of 16.8 million running bales would be a reduction of around 4 3/4 million bales or 20 percent from the 1949-50 supply and only about 2 million bales more than actual disappearance in 1949-50.

Domestic mill consumption in July was 611,000 bales, bringing the season total to 8,870,000 bales, compared with 7,795,000 in the preceding season. The July daily rate of consumption was 32,100 bales, 6 percent below the June rate but 41 percent above July a year ago. The decline from June to July was substantially less than in any of the last five years. Most mills probably already have a backlog of orders sufficient to carry them to near the end of this year at current rate of operation and many mills are temporarily refusing to accept additional orders. Average prices for the 17 selected cloth constructions advanced 11 percent in July to reach the highest levels since August 1948.

Exports in 1949-50 totaled 5,905,000 bales or 25 percent more than in the preceding season. Total disappearance was about 14.8 million bales--the highest since 1928-29, when over 8 million bales were exported.

Prices for spot cotton in mid-August were the second highest on record for that time of year. On August 28 the average price of Middling 15/16 inch was 38.31 cents per pound, compared with 30.68 cents a year earlier.



## WOOL

Prices received by domestic growers for shorn wool this year reflect the sharp rise in wool prices in foreign markets since last October. The average price received by growers in August 1950 was 58.3 cents per pound, grease basis. This compared with 57.1 cents received the previous month and 48.0 cents in August of last year. Some contracting for the Texas fall clip already has taken place.

Prices of domestic wools at Boston have continued the general advance which began late in April, and the spreads between fine staple and other types have continued to narrow. For the week ending August 18 domestic fine staple wools were about 15 percent higher than for the week ending June 23. Price increases for the other types ranged up to as much as 27.5 percent for fine Texas fall wools. In general, prices of domestic fine staple wools are now about 14 percent above the peak levels of early 1949, while prices of other types are from 15 to 65 percent higher. Compared with August 1949, the increases are even greater. Wool prices during 1949 declined from the end of April until early in October.

Domestic wool prices probably will continue strong for some time. World consumption continues to exceed production; domestic production in 1950 will be about the same as the low of 1949; domestic mill consumption is at a rate somewhat higher than last year; and the ratio of stocks to the weekly rate of mill consumption is substantially below the 1935-39 level.

Domestic mills are consuming apparel wool at a substantially higher rate than last year. During January-June, United States woolen and worsted mills consumed 211 million pounds of apparel wool, scoured basis. This was at an annual rate of about 415 million pounds, compared with the 343 million pounds consumed in 1949. Consumption during the first half of the year was about 35 percent higher than for the same period of 1949. During January-June domestic mills consumed 103 million pounds of carpet wool, compared with 88 million pounds during the same period of 1949.

Imports of dutiable (apparel) wool during January-May amounted to 106 million pounds, clean basis, about double those of the same period of last year. At the present rate of consumption, import requirements of apparel wool for the year 1950 would be approximately 300 million pounds, assuming no further reduction in stocks. During January-June, imports of duty-free (carpet) wools amounted to 106 million pounds, compared with 47 million pounds imported during the same period of last year.



## TOBACCO

Marketing of the 1950 crop of tobacco began in late July when auctions opened for flue-cured, the largest single class of tobacco. Demand has been very strong and is expected to continue so. Flue-cured prices for the season through late August averaged about 53 cents per pound--17.8 percent higher than in the comparable period of the 1949 season. Market prices for most grades have usually been well above the support level and growers have been placing a smaller proportion under loan than last season.

Domestic use of flue-cured was a record in the year ending June 30, 1950. Exports, accounting for two-fifths of total disappearance in 1949-50, were 15 percent above 1948-49. Most flue-cured is used in cigarettes. United States consumption of cigarettes in 1950-51 will probably top the 1949-50 record of 355 billion. The 1950-51 export prospects for flue-cured are favorable.

The auction markets for Burley, fire-cured and dark air-cured tobacco begin late in the fall. In line with the reduced allotments, prospective crops of these types are smaller than last year. Supplies of Burley are large; and those for the dark types, in excess of anticipated requirements. The support level for these types will be higher than during last season. Exports of Burley during October 1949-June 1950 were a little below those in the same period a year earlier; while exports of fire-cured and dark air-cured tobacco, except the Virginia fire-cured type, were down sharply.

The Maryland auctions for the 1949 crop closed August 13. The season average was 47 1/2 cents per pound compared with 54 cents for the 1948 crop.

Production of domestic cigar filler and binder tobacco are 6 and 7 percent higher respectively than in 1949. Estimated carry-over next October 1 will likely be above a year earlier. Cigar tobacco parities are substantially higher than those which applied to last year's crops. During 1949-50, cigar consumption was 3 1/2 percent smaller than in 1948-49. Consumer demand for cigars is likely to show some improvement during the remainder of 1950.

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